Morning Comment

AIB Treasury Economic Research Unit

Wednesday 17 May 2023
07:33 am

Investor sentiment remains subdued

Investor sentiment was somewhat subdued yesterday, amid further hawkish Fed rhetoric, and relatively strong US data. Concerns regarding the US debt ceiling also continued, although, there were reports of some progress overnight. The Euro Stoxx 50 finished flat for the day, while on Wall Street, the S&P 500 fell by 0.6%. On bond markets, US Treasury yields rose by 3-9bps along the curve. Meanwhile, German Bund yields moved a more modest 3-5bps higher, and UK Gilt yields were little changed.

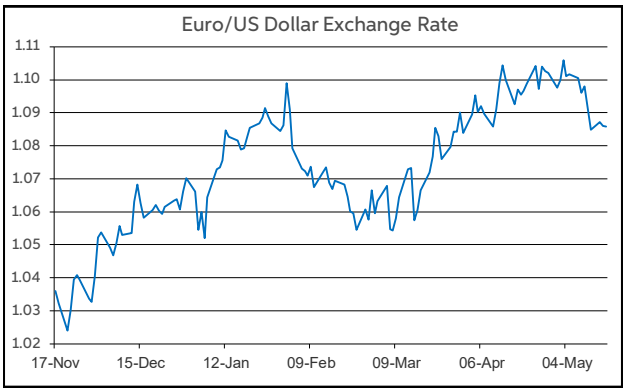
Data-wise, US industrial production increased by 0.5% in April (vs. +0.0% f'cast), boosted by a substantial 1% rise in manufacturing. US Homebuilder sentiment also printed ahead of the consensus, rising to 50 in May (vs. 45 f'cast), its highest level in ten months. Retail sales though, rose by just 0.4% in April (vs. +0.8% f'cast). However, the underlying details remained strong, with core sales, expanding by 0.7% m/m. Overall, the data indicate that the US economy is holding up better than anticipated at the start of Q2.

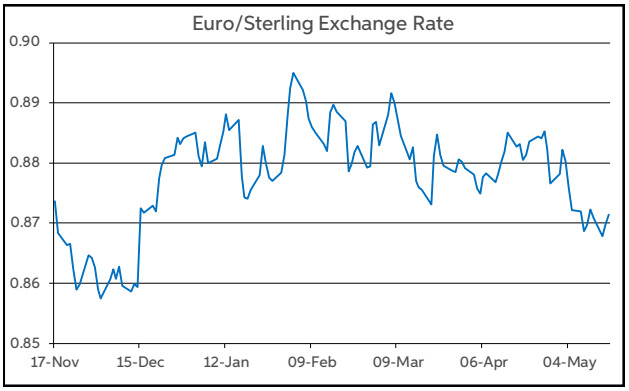
Against this backdrop, the dollar was holding a slightly firmer tone yesterday. The greenback was aided by some hawkish remarks by Fed officials also. Market pricing remains consistent with the Fed going on hold in June, but the extent of rate cuts priced in by year end has lessened. Meantime, sterling was on the defensive.

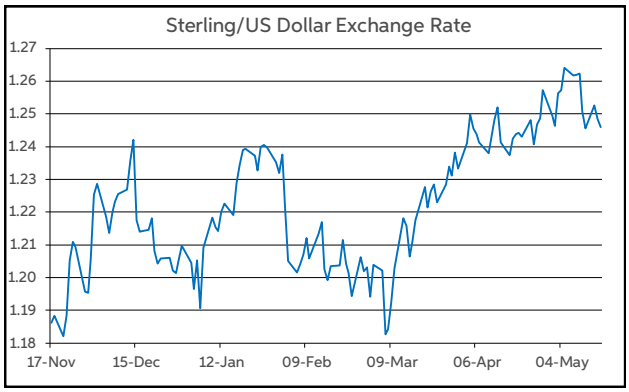
In level terms, EUR/USD opens back near the midpoint of $1.08-1.09. Elsewhere, GBP/USD is operating back close to the heart of $1.24-1.25. EUR/GBP is changing hands up above the 87p mark.

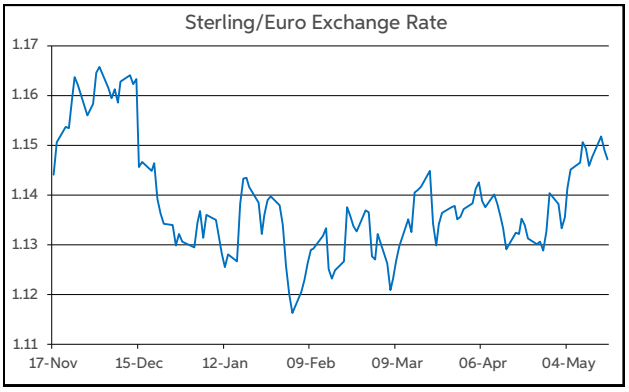
Today, there is a quiet data schedule on both sides of the Atlantic. However, remarks from a number of central bank officials, including BoE Governor Bailey will be of interest.

Daniel Noonan, Economist, AIB









Today's Opening FX Rates

		% Change	
		Day *	End 2022
EUR/USD	1.0859	-0.20	1.47
EUR/GBP	0.8713	0.31	-1.48
GBP/USD	1.246	-0.52	3.00
GBP/EUR	1.1473	-0.31	1.50
USD/JPY	136.74	0.57	4.29
EUR/JPY	148.49	0.35	5.84

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates

		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	5.13	5.11	5.33	4.99	4.25	3.58
EUR	3.75	3.15	3.36	3.77	3.44	3.02
GBP	4.50	4.41	4.58	4.78	4.72	4.25

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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All Data Sourced from Refinitiv

Opening Levels

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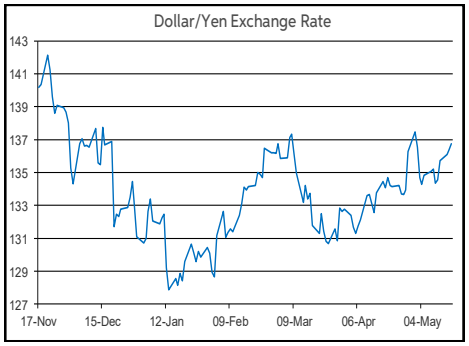
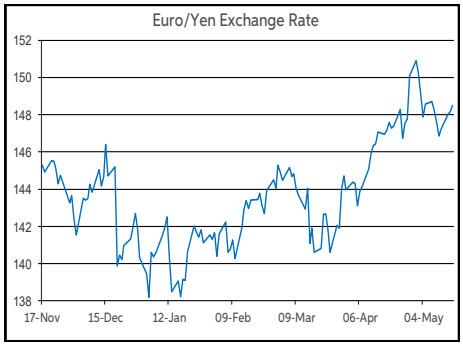
AIB

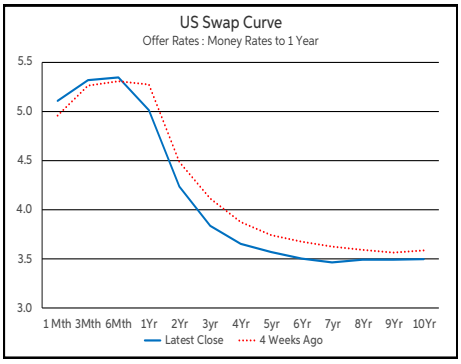
Euro	
EUR/GBP	0.8713
EUR/USD	1.0859
EUR/JPY	148.49
EUR/SEK	11.3065
EUR/DKK	7.447
EUR/NOK	11.6619
EUR/CHF	0.9737
EUR/AUD	1.6347
EUR/HKD	8.5072
EUR/CAD	1.4643

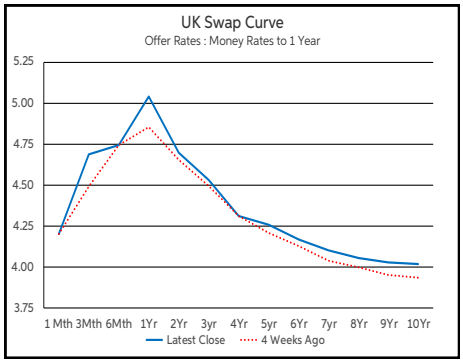
Sterling	
GBP/EUR	1.1473
GBP/USD	1.246
GBP/CAD	1.68
GBP/NZD	1.9978
GBP/JPY	170.38
GBP/SEK	12.9766
GBP/DKK	8.5425
GBP/NOK	13.3829
GBP/CHF	1.1169
GBP/AUD	1.8756

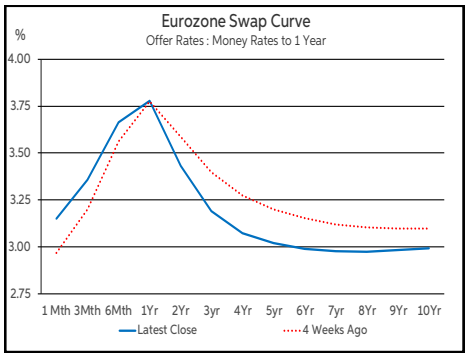
Dollar	
USD/JPY	136.74
USD/CAD	1.3483
USD/CHF	0.8965
USD/CNY	6.9948
USD/BRL	4.9407
USD/RUB	80.4
USD/INR	82.3467
AUD/USD	0.6642
NZD/USD	0.6235

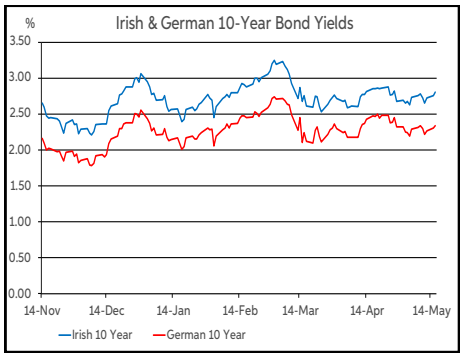












Debt Markets		Change bps		
	Close	Day	4 Weeks	End 22
10 Year Yield %				
US	3.54	+3	-4	-34
Germany	2.34	+3	-13	-22
UK	3.82	+0	+7	+15
Ireland	2.84	+6	-6	-30
Belgium	3.06	+6	-8	-14
France	2.94	+5	-4	-18
Italy	4.23	+5	-7	-48
Spain	3.42	+4	-8	-24
Portugal	3.16	+3	-16	-44
Greece	4.03	+2	-30	-56
5 Year Swap %				
US	3.57	+6	-14	-43
Eurozone	3.02	+7	-17	-21
UK	4.26	+6	+10	-5
2 Year Swap %				
US	4.23	+7	-21	-44
Eurozone	3.43	+7	-15	+4
UK	4.70	-1	+5	+2
10 Year Government Bond Spreads to Benchmark bps				
Ireland	50	+3	+7	-8
Belgium	72	+3	+5	+9
France	60	+2	+9	+5
Italy	189	+2	+6	-25
Spain	108	+1	+5	-1
Portugal	82	-0	-3	-21
Greece	169	-1	-17	-34

Commodities		% Change		
	Close	Day	4 Weeks	End 22
Brent Oil	74.91	-0.43	-11.63	-12.80
West Texas Oil	70.85	-0.31	-12.37	-11.61
Gold $	1988.6	-1.58	-0.81	+9.00

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